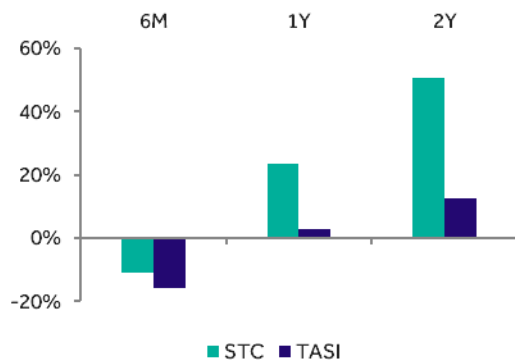


Market Data	
52-week high/low	SAR 117.4/80.0
Market Cap	SAR 202,000 mln
Shares Outstanding	2,000 mln
Free-float	23.1%
12-month ADTV	876,298
Bloomberg Code	STCAB



### Margins Contract

October 23, 2019

Upside to Target Price	4.0%	Rating	Neutral
Expected Dividend Yield	4.0%	Last Price	SAR 101.00
Expected Total Return	8.0%	12-mth target	SAR 105.00

STC	3Q2019	3Q2018	Y/Y	2Q2019	Q/Q	RC Estimate
Sales	14,114	13,320	6%	13,604	4%	13,726
Gross Margins	56%	59%		60%		60%
EBIT	3,328	3,236	3%	3,477	(4%)	3,500
EBITDA	5,237	5,129	2%	5,655	(7%)	5,628
Net Profit	2,746	2,643	4%	2,848	(4%)	3,042

(All figures are in SAR mln)

- STC's topline grew by +4% Q/Q and +6% Y/Y to reach SAR 14.1 bln in 3Q2019, supported by an increase in revenue from Consumer and Wholesale business units as well as STC's subsidiaries.
- However, gross margin contracted by -400 bps Q/Q to reach 56% this quarter, while EBITDA margin declined from 42% to 37% on higher cost of sales leading to lower bottomline.
- In spite of the improvement in revenue (highest in the recent past) and lower operating expenses, EBIT went down by -4% Q/Q with EBITDA also declining by -7% Q/Q.
- 3Q19 net profit came in below both our and market expectations, down by -4% Q/Q, but up by +4% Y/Y to SAR 2.7 bln. We maintain our Neutral recommendation but decrease our target price to SAR 105.00.

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## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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